

Allowances, Expenses and Gratuities payable to Local Authority Chairpersons and Members

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1. Introduction

This instruction sets out the taxation treatment of the various allowances, expenses and gratuities payable to local authority members.

The various payments are as follows:

- The special allowance payable to the Cathaoirleach and Leas-Chathaoirleach of each local authority ([see paragraph 2](#)).
- The representational payment payable to all local authority members ([see paragraph 3](#)).
- The Municipal District Member's Allowance payable to elected members in the local authorities that are sub-divided into municipal districts ([see paragraph 4](#)).
- Expense allowances payable to all local authority members including the Cathaoirleach and Leas-Chathaoirleach ([see paragraph 5](#)).
- The superannuation gratuity payable to all local authority members ([see paragraph 6](#)).

2. Allowance payable to Cathaoirligh and Leas-Chathaoirligh

2.1 Background

The Cathaoirligh and Leas-Chathaoirligh are elected by a vote of the local authority members at every annual meeting and hold office for a term of one year. A person may be re-elected for a successive term.

Under the provisions of section 143 of the Local Government Act 2001, a local authority may pay an allowance for reasonable expenses to its Cathaoirleach and Leas-Chathaoirleach. Because each local authority can set the level of payment itself the amounts vary from one local authority to another. The amounts payable are in addition to the normal expenses due to such individuals in their capacity as local authority members.

2.2 Tax treatment of such allowances

The allowance to the Cathaoirligh and Leas-Chathaoirligh is paid on a round sum basis to cover reasonable expenses incurred in the performance of the duties of the office. The tax treatment of such unvouched expenses is that the payment should be included as pay and subjected to PAYE, PRSI and USC.

Given the unique nature of the duties involved, it is accepted that the Cathaoirligh and Leas-Chathaoirligh would, in performing the duties of their office, incur a certain amount of expenditure that would be deductible for tax purposes. Thus, for ease of administration and efficiency, it may be accepted that 50% of the allowance (subject to a fixed minimum amount of €5,000 and a maximum of €10,000) may be paid tax-free with the balance being subjected to PAYE, PRSI and USC. See table below for worked examples:

Allowance Payable	50%	Fixed Minimum	Restriction	Payable tax-free	Taxable
€5,000 or less	€2,500	€5,000	N/A	Up to €5,000	Nil
€6,000	€3,000	€5,000	N/A	€5,000	€1,000
€7,000	€3,500	€5,000	N/A	€5,000	€2,000
€8,000	€4,000	€5,000	N/A	€5,000	€3,000
€9,000	€4,500	€5,000	N/A	€5,000	€4,000
€10,000	€5,000	€5,000	N/A	€5,000	€5,000
€12,000	€6,000	N/A	N/A	€6,000	€6,000
€15,000	€7,500	N/A	N/A	€7,500	€7,500
€20,000	€10,000	N/A	N/A	€10,000	€10,000
€22,000	€11,000	N/A	€10,000	€10,000	€12,000
€30,000	€15,000	N/A	€10,000	€10,000	€20,000
€40,000	€20,000	N/A	€10,000	€10,000	€30,000

This treatment does not affect in any way an individual's right under section 114 Taxes Consolidation Act 1997 to claim a deduction for allowable expenses for tax purposes. A deduction may be claimed for expenses which the holder of the office or employment is obliged to incur and defray out of those emoluments which are expended wholly, exclusively and necessarily in the performance of the duties of the office or employment.

- Elected members who receive the Cathaoirligh and Leas-Chathaoirligh allowance are also eligible for the €1,000 municipal district member's allowance ([see paragraph 4](#)).

2.3 Summary

The following summarises the position:

1. Each local authority determines the allowance, if any, to be paid to the Cathaoirleach and Leas-Chathaoirleach.
2. The local authority can pay 50% tax free (subject to a fixed minimum amount of €5,000 and a maximum of €10,000) – see examples in table at [paragraph 2.2](#).
3. Any balance in excess of the amount determined at (2) must be included as taxable pay and subject to PAYE, PRSI and USC in the normal way.

3. Representational Payment

The representational payment is a salary type payment that councillors receive. It is subject to PAYE, PRSI and USC.

The representational payment is directly linked to a quarter of a senator's annual salary and it increases and decreases proportionately with changes to the senators' salaries. In 2010 and 2013 it was reduced in line with reductions to the senators' salaries under the FEMPI Acts and subsequently increased in line with FEMPI pay restoration.

The representational payment will benefit from any FEMPI pay restoration measures that will increase the senator's salary.

The annual rates of Representational Payment for Councillors are as follows:

Rate of Payment from 01/07/13 to 31/03/17	Rate of Payment from 01/04/17 to 31/12/17	Rate of Payment from 01/01/18 to 30/09/18	Rate of Payment from 01/10/18 to 31/08/19	Rate of Payment from 01/09/19 to 30/09/20	Rate of Payment with effect from 01/10/20
€16,565	€16,645	€16,891	€17,060	€17,359	€17,706

4. Municipal District Member's Allowance

With effect from 1 July 2017 elected members of local authorities with municipal district sub-structures receive an extra allowance of €1,000 per annum (€500 for the period 1 July 2017 to 31 December 2017).

As this is a salary type payment, it is subject to PAYE, PRSI and USC in the same manner as any other salary payment.

5. Expenses of Local Authority Members

In addition to the representational payment and municipal district member's allowance (where appropriate), local authority members, including members who are also acting as Cathaoirleach or Leas-Chathaoirleach, may receive expense payments comprising of:

1. An annual expenses allowance being either:
 - A. An unvouched composite annual expenses allowance of between €2,286 and €2,667 per annum depending on the size of their local authority (see [Appendix 1](#) for allowance details). This allowance is in respect of expenses incurred in the performance of a member's functions and duties within the functional area of the Local Authority,
or
 - B. A vouched expense allowance. With effect from 1 July 2017, elected members have the choice of claiming the unvouched allowance or opting for a vouched allowance up to €5,000 per annum (€2,500 for the period 1 July 2017 to 31 December 2017). The allowable expenditure categories and documentation requirements of this vouched system are aligned with the arrangements in place for members of the Oireachtas. In addition to any expenses that are covered by the unvouched allowance, the categories of expense that may be claimed under the vouched allowance include:
 - the purchase of home office equipment and furniture,
 - the purchase of stationery,
 - the hire of meeting rooms,
 - web hosting,
 - newsletter or leaflet printing and distribution,
 - advertising in relation to their duties as an elected member,
 - the hire of temporary secretarial support from a licensed employment agency,
 - rent, rates, utilities or other charges for office accommodation,
 - signage, and
 - support staff under a contract of service, for example, employee status.

The following expenditure is **not** allowable under this vouched allowance:

- electoral expenses for election to political office or referenda,
- bank charges and interest,
- services purchased from a person who is on the payroll of a local authority, and
- expenses incurred which are covered by other allowances set out under these directions (mobile telephones, travel, etc.).

Further detail regarding allowable vouched expenditure is available in [Appendix 2](#).

2. An annual mobile phone allowance. The Local Government (Expenses of Local Authority Members) Regulations 2014 allows for the reimbursement of 50% of the total vouched costs of mobile phone usage in association with the duties of a councillor. This is set at a maximum of €600 per annum.

Such expenses are regarded as:

- no more than reimbursing the members for overall costs incurred, and
- having been incurred wholly, exclusively and necessarily in the performance of the duties of the office held.

Accordingly, payments may be made by the local authorities in respect of such expenses without deduction of tax.

In the case of travel and subsistence expenses received by local authority members in respect of attendance at:

- conferences,
- seminars and similar events,
- training events and
- certain meetings held outside the functional area of the Local Authority,

such expenditure may only be paid by a local authority without deduction of tax up to the prevailing Civil Service rates. Further information on travel and subsistence payments is available in the [Tax and Duty Manual on the Tax Treatment of the Reimbursement of Expenses of Travel and Subsistence to Office Holders and Employees](#). Amounts paid in excess of these rates should be subject to PAYE, PRSI and USC.

Please note the following with respect to specific expense claims:

1. Where an expense has been paid to a local authority member without deduction of tax, he or she shall not be entitled to claim any further tax relief or deduction under the TCA in respect of the portion of expenditure already relieved.
2. Where expenses are claimed and granted in respect of a home office, this may affect a member's eligibility to Principal Private Residence Relief in respect of the sale of his or her home at a later date. For further information, see [Selling a House](#) on the Revenue website.

6. Superannuation Gratuity

Councillors may also receive a payment of a single service related retirement gratuity. The lump sum is calculated as 4/20 of the Representational Payment for each year of service since May 2000, up to a maximum of 20 years service. The gratuity is payable on a councillor's retirement whether voluntarily, through failure to be elected, death or ill health.

For tax purposes, the gratuity and any previous gratuity a former elected member may have received are aggregated and treated as being a single gratuity.

The gratuity amount is chargeable to tax under the provisions of section 123 Taxes Consolidation Act 1997. Under the provisions of section 201 and Schedule 3 Taxes Consolidation Act 1997, all or part of a payment to which section 123 applies may be exempt from income tax. See Tax and Duty Manual [Part 05-05-19](#) for further information.

Where a previous gratuity payment was made the basic or increased exemption applicable to the current payment will be restricted by any relief granted previously.

The Universal Social Charge (USC) is applied at the marginal rate of USC to the taxable element of any gratuity payment.

There is a lifetime cap on exemptions utilised in respect of all gratuities received irrespective of the source of the gratuity. The lifetime ceiling is €200,000.

Appendix 1

Unvouched composite annual expenses allowances for Local Authority Members

Fixed Annual Rate	
Part I Local Authorities	€2,286 per annum
Part II Local Authorities	€2,413 per annum
Part III Local Authorities	€2,540 per annum
Part IV Local Authorities	€2,667 per annum

Part I Local Authorities

The councils of the counties of Carlow, Cavan, Kilkenny, Laois, Leitrim, Louth, Longford, Monaghan, Offaly, Roscommon, Sligo, Westmeath and Galway city.

Part II Local Authorities

The councils of the counties of Clare, Donegal, Galway, Kerry, Kildare, Mayo, Meath, Tipperary, Wexford, Wicklow, Limerick city and county, Waterford city and county and Cork city.

Part III Local Authorities

The councils of the counties of Dun Laoghaire-Rathdown, Fingal and South Dublin.

Part IV Local Authorities

The councils of the counties of Cork and Dublin city.

Appendix 2

Expenditure Categories for Vouched Annual Expenses

Extract from Directions issued by the Minister of State at the Department of Housing, Planning and Local Government with special responsibility for Housing and Urban Development in respect of expenses incurred by members of local authorities

“Schedule A”**Expenditure Categories for Vouched Annual Expenses**

Expenditure Categories	Allowable	Documentation
Rent, rates and other such charges in relation to an office or offices	<p>Guidance on the rent, rates and other such charges in relation to an office or offices is set out in Schedule B</p> <p>In summary rent rates and other such charges are allowable on:</p> <p>An office premises that complies with the definition in Schedule B</p> <p>The costs relating to the declared premises, apportioned as appropriate</p> <p>The cost of the mortgage interest on the premises (no tax deduction can be claimed)</p> <p>The cost of rent paid on non-owner occupied premises used as a constituency office</p> <p>Proof that a cost was incurred for such premises</p> <p>Rental relating to the storage space for a mobile office</p>	<p>Declaration form completed to provide the following:</p> <p>Address of the constituency office(s) premises</p> <p>A statement of mortgage interest that was incurred for the stated premises apportioned for the relevant period from the lending agency</p> <p>A statement of the rent that was incurred for the stated premises apportioned for the relevant period from the rental company or owner to include applicable tax numbers</p> <p>Proof of payment of the amount applicable for the relevant period</p>

Signage in respect of the office	<p>The signage on any office</p> <p>Signage on a mobile office, or vehicle (vehicle wrapping) of the Member</p> <p>Vehicle sign writing, graphics or car wrap signs for a Member's car that comply with the SIPO guidelines (cannot explicitly promote a person's candidacy, party's interests or which solicits votes)</p>	<p>The bills or invoices with the address of the premises or vehicle registration, details of the signage, date and amounts to be paid. A photograph of the sign should also be kept for examination.</p> <p>Proof of payment of the bill or invoice for the relevant period</p>
Utilities of an office or offices	<p>Cost of bills/invoices apportioned to include only costs of utilities or office services for the premises declared in the relevant periods. Allowable items may include:</p> <ul style="list-style-type: none"> • Electricity bills • Gas bills • Oil or other fuel purchases for the office • Rates • Refuse charges • Water charges • Alarm monitoring • Security costs (e.g. CCTV installation) • Language service such as • translation, interpretation, • disability [e.g. Braille] • Bulk scanning services • Bulk or confidential shredding 	<p>The bills or invoices with the address of the premises, date and amounts to be paid</p> <p>A statement of the costs of bills or invoices that were apportioned by including only costs incurred in the relevant period for the premises declared</p> <p>Direct debit payments of utility bills made after 1 July 2017 are allowable for the pro rata amount due for the relevant period</p> <p>Proof of payment of the bill or invoice for the relevant period</p>

	<p>Not Allowable</p> <p>Sundry items of refreshments which includes catering, tea, coffee, biscuits, newspapers, water</p> <p>Bank charges or interest</p>	
Purchase or maintenance of home office furniture or equipment	<p>Home office furniture and equipment normally required for the running of a home office</p> <p>Equipment can include cost of purchase, rental and maintenance of any office equipment including tablet PCs (such as iPads) and IT equipment (such as laptops) provided such equipment has not already been provided by the local authority</p> <p>Charges levied by the local authority ICT section for IT connection or support</p>	<p>The bills or invoices should specify the details of the purchase of the furniture and equipment that will indicate it is for home office use, date and amounts to be paid</p> <p>Proof of payment of the bill or invoice for the relevant period</p>
Hiring rooms for clinics or other meetings	<p>The hire cost of rooms in any location or premises for the purpose of clinics or meetings with the general public in the performance of his/her functions as a member</p>	<p>The bill or invoice for the room hire including name, address and date of each event</p> <p>List of events to indicate that the purpose of room hire was for his or her functions as a member</p> <p>Proof of payment of the bill or invoice for the relevant period</p>
Leaflet and newsletter printing and distribution	<p>Printing of leaflets and newsletters for the performance of his or her functions as a member that is not otherwise facilitated by the use of the</p>	<p>The bill or invoice for the services including name, address and date of each publication or distribution</p>

	<p>printing facilities of the local authority and subject to the same conditions as the local authority may apply regarding the use of its own printing facilities</p> <p>Distribution of leaflets and newsletters for the performance of his or her functions as a member</p>	<p>Samples to indicate that the content was for the performance of his or her functions as a member attached to each invoice</p> <p>Proof of payment of the bill or invoice for the relevant period</p>
Advertising relating to the performance of his or her functions as a member	<p>Advertising costs only (excluding graphic design and photography)</p> <p>All forms of media can be used (incl. newspapers, newsletters, radio, online, window space, signage, social media, etc)</p> <p>Content is limited to the Member's name, address, clinic times or title of the meeting, venue and date</p>	<p>Copies of the advertisement and the publication in which it appears to indicate that the content was for the performance of his or her functions as a member</p> <p>Invoices for services including name, address, company office registration number, charitable status number, where applicable</p> <p>Proof of payment of the invoice or bill, the dates on which the promotion occurred must be indicated on the invoice</p>
Web hosting and other related costs	Invoices for web hosting, web design and other related costs	<p>The bill or invoice with the date and amount of the service or product must specify details to show it is for use in relation to duties as a Member</p> <p>Proof of payment of the bill or invoice for the relevant period</p>

Purchase of stationery	Stationery that is not provided by the local authority required for the performance of his or her duties as a Member	<p>The bills or invoices should specify the details of the purchase of the stationery that will indicate it is for office use, date and amount paid.</p> <p>Proof of payment of the bill or invoice for the relevant period</p> <p>A sample of stationery should also be retained for examination</p>
Purchase of secretarial support, public relations, and training services for staff under a contract for service	<p>Allowable Advertising for the service required</p> <p>Not Allowable Services purchased from a person or persons on the local authority payroll</p> <p>The purchase of computer equipment (laptops, iPads etc) is not allowable</p>	<p>Invoices for the services provided including name, address, PPS number, company office registration number, where applicable</p> <p>Proof of payment of expenses incurred by the Member</p>

The following expenditure is **not** allowable under any of the categories listed above.

- Electoral expenses for election to political office or referenda.
- Expenses incurred which are covered by other allowances set out under these directions (mobile telephones, attendance at conferences, etc).

Schedule B

Guidance on the rent, rates and other such charges in relation to an office or offices

Definitions Premises

An “office” is a room or rooms used exclusively for or during the relevant period for the transaction of business in the performance of his or her duties as a Member. Temporary use of a space adjacent to an office is not included. The principle of apportionment applies.

Proof of payment of costs

Members must actually incur a cost (proof is required). If no mortgage interest or rent is paid, it does not incur a cost and is therefore not allowable. No imputed costs will be allowed.

Mortgage Interest

The cost of mortgage interest paid only (or relevant proportion thereof). A Member may not claim a tax deduction in respect of, say, mortgage interest paid where claimed under the Allowance.

Rent

The cost of the rent paid in respect of non-owner occupied premises used as an office is allowable.

Clarification of general terms

Mortgage

In the context of the Allowance, mortgage means a loan made available by an institution regulated by the Financial Regulator used for the purchase, repair, development or improvement of the property used as a constituency office. A ‘mortgage’ does not, in this context, include a loan secured on the constituency office where the proceeds of that loan were used for a purpose unrelated to the constituency office.

The cost of mortgage interest paid (or relevant proportion thereof) may be claimed as part of the Allowance. The cost of capital repayments may not be claimed.

Apportionment

Where part of a building is used as a constituency office and part is not, the claim for mortgage interest, rates and other such charges under the Allowance may relate only to the proportion applicable to the constituency office.

Cost incurred

The Member must actually incur a cost and such cost must be capable of being vouched or receipted. In other words, a Member cannot claim the Allowance in respect of what may be regarded or described as notional or deemed amounts.

Allowable Expenses - Non-owner occupied premises

Rent

The cost of the rent paid in respect of non-owner occupied premises used as a Constituency office may be claimed as part of the Allowance (subject, to the maximum of the overall allowance). The rental arrangements should be at 'arm's length' with the rent payable not exceeding the general prevailing rent payable for such properties (see above as regards apportionment) and that the conditions are fair and reasonable. The payment by the Member must be capable of being vouched or receipted for audit purposes. Invoices and the receipt from the owner should include the address of the premises.

Allowable Expenses - Owner occupied premises

Premises

An "office" is a room or rooms used exclusively for or during the relevant period for the transaction of business in the performance of his or her duties as a Member.

An office can include;

1. a Member's office in the home
2. a Member's office in a business
3. a Member's office in a mobile vehicle - vehicle purchase costs, vehicle maintenance or insurance costs will not be allowable. Costs of insurance, office improvements, equipment etc. are provided for under other headings.

No mortgage outstanding

Where a Member owns, or part owns, a property in respect of which no mortgage exists, no claim may be made under the Allowance. In addition, a charge may not be imputed (see clarifications above).

Mortgaged properties

Where a Member holds a mortgage (qualifying as above) on a property used, or partly used, as a constituency office, only that part of the mortgage interest paid by the Member, as apportioned (see clarifications above) and subject to the maximum allowance that may be claimed under the Allowance. There is no provision for including any nominal rent amount on an owner occupied premises.

Example 1

Where a Member has a mortgage on the property and that Member uses the whole property as a constituency office, then the cost of the full amount of the mortgage interest paid may be claimed as part of the Allowance (subject, to the maximum allowance).

Example 2

Where a Member has a mortgage on the property and that Member uses 50% of property as a constituency office, then the 50% of the mortgage interest paid may be claimed as part of the Allowance (subject to the maximum allowance).

Example 3

Where a Member owns a constituency office outright whether as part of his residence or otherwise and is not paying rent or a mortgage no claim may be made.

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